

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 SP-02 AID-05 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

INR-07 NSAE-00 PA-01 PRS-01 USIA-06 L-02 /063 W

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R 051633Z FEB 75

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 6929

INFO AMCONSUL CALI

AMCONSUL MEDELLIN

LIMITED OFFICIAL USE BOGOTA 1162

EO 11652: NA

TAGS: EMIN, CO

SUBJ: SALE OF INTERNATIONAL MINING COMPANY OPERATION

REF: BOGOTA 4442, MAY 20, 1974

1) LOCAL OFFICIAL OF INTERNATIONAL MINING COMPANY HAS INFORMED EMBASSY THAT IMC RECENTLY COMPLETED SALE OF THE PATO GOLD MINE TO SAME COLOMBIAN GROUP WHICH PREVIOUSLY HAD PURCHASED THE CHOCO PACIFICO MINE. CONTRARY TO INITIAL NEGOTIATION REPORTS IMC SOLD THE TOTALITY OF PATO'S MINING OPERATIONS IN COLOMBIA (A SUBSIDIARY IN BRAZIL WAS NOT INCLUDED) RATHER THAN ONLY 60 PERCENT. TOTAL PURCHASE PRICE WAS EIGHTEEN MILLION DOLLARS. EIGHT MILLION WILL BE PAID IMMEDIATELY WITH THE REMAINDER PAYABLE FROM PROFITS. AS WITH CHOCO PACIFICO, IMC WILL CONTINUE TO OPERATE THE MINES UNDER A SERVICE CONTRACT.

2) A POTENTIAL PROBLEM EXISTS WITH REGARD TO REMITTANCE BY IMC OF RECIPITS FROM THE SALE. THE OFFICE OF EXCHANGE IN THE BANK OF THE REPUBLIC INSISTS THAT GOC MUST COLLECT 20 PERCENT REMITTANCE TAX ON TOTAL SALE PRICE. (SEVERAL RATES APPEAR POSSIBLE FROM EXISTING GOC LEGISLATION AND LIMITED OFFICIAL USE

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NATURE OF 20 PERCENT RATE NOT YET CLEAR.) THIS WOULD MEAN

LOSS OF 3.6 MILLION DOLLARS DESPITE SALE PROVISION FOR
18 MILLION DELIVERED TO US BANK. LOCAL IMC REPRESENTATIVE
SUGGESTS TAX PROBABLY LEGALLY CORRECT BUT CONTRARY TO
INTENT OF SALE. (EMBASSY IMPRESSION IS THAT IMC MAY HAVE
BEEN ALMOST IMCREDIBLY INEPT IN DRAWING UP SALE DOCUMENT.)
IMC ATTORNEY APPARENTLY WILL TAKE CASE TO PRESIDENT LOPEZ ON
BASIS PERSONAL FRIENDSHIP, BUT MC WILL PURSUE MATTER IN
COURTS IF SUCH APPROACH FAILS.

3) MINISTER OF MINES RECENTLY MADE PUBLIC ANNOUNCEMENT
THAT IN FUTURE ALL BANK OF REPUBLIC PURCHASES OF GOLD WILL
BE PAID IN PESOS AND NO REMITTANCES PERMITTED. EXCHANGE
OFFICE, HOWEVER, INDICATES NO SUCH DECISION HAS BEEN TAKEN
AND MINISTER MAY NOT KNOW EHREOF HE SPEAKS. IMC NEVERTHELESS
PLANS TO PURSUE SALE OF ITS REMAINING ASSETS CONSISTING
OF FRONTINO MINE. FRONTINO APPARENTLY HAS LITTLE FUTURE
AS GOLD PRODUCER BUT DOES HAVE SEVERAL MILLION DOLLARS IN
CATTLE AND LAND ASSETS. IF REMITTANCE PROHIBITION ACTUALLY
RESULTS, ON US INTERESTS AFFECTED WOULD BE FRONTING
OPERATION PLUS SEVERAL SMALL GOLD MINING PROJECTS PLANNED BY
US COMPANIES BUT NOT YET UNDERWAY.

VAKY

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Message Attributes

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